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SERVICE DATE – SEPTEMBER 1, 2005

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34737]

Yellowstone Valley Railroad, Inc.–Lease and Operation Exemption–BNSF Railway
Company

Yellowstone Valley Railroad, Inc. (YVRR), a noncarrier,¹ has filed a verified notice of exemption under 49 CFR 1150.31 to lease from BNSF Railway Company (BNSF) and operate two rail lines totaling 171.97 miles. The rail lines are located: (1) between milepost 6.0, near Glendive, MT, and milepost 78.6, near Snowden, MT; and (2) between milepost 0.93, near Bainville, MT, and milepost 100.3, near Scobey, MT. In conjunction with the lease of the rail lines, YVRR will acquire incidental, overhead trackage rights over the BNSF rail lines located between: (1) milepost 78.6, on the BNSF Sidney Subdivision near Snowden, MT, and milepost 0.93, on the BNSF Scobey Subdivision, near Bainville, MT, via the BNSF Glasgow Subdivision between Snowden and Bainville; and (2) milepost 6.0, near Glendive, MT, and milepost 0.0, at Glendive, MT.

This transaction is related to STB Finance Docket No. 34736, Watco Companies, Inc.–Continuance in Control Exemption–Yellowstone Valley Railroad, Inc., wherein

¹ YVRR is controlled by Watco Companies, Inc., a noncarrier that also controls twelve (12) Class III railroads operating in thirteen States.

Watco Companies, Inc., has concurrently filed a verified notice of exemption to continue in control of YVRR upon YVRR's becoming a Class III rail carrier.

YVRR certifies that the projected annual revenues as a result of this transaction will not result in the creation of a Class II or Class I rail carrier, and further certifies that its projected annual revenues will not exceed \$5 million.

The transaction was scheduled to be consummated on August 15, 2005.²

If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34737, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, one copy of each pleading must be served on Karl Morell, Of Counsel, BALL JANIK LLP, Suite 225, 1455 F Street, N.W., Washington, DC 20005.

Board decisions and notices are available on our website at WWW.STB.DOT.GOV.

Decided: August 23, 2005.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary

² By decision served in this proceeding on August 10, 2005, Chairman Nober denied a request to stay the effectiveness of the exemption.